

CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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1. At the end of July 1953, a conference of the foreign representatives of Chemolimpex took place in Budapest, at which important changes of policy were made known and new directives issued.
2. Organization.
The Hungarian Ministries for Internal and Foreign Trade have been merged into a single Ministry. Thus a large number of officials became superfluous, and many of these were transferred to the foreign trade undertakings (Chemolimpex, Metalimpex, Technoimpex, etc.), which are to be given a far larger measure of independence.
3. Procurement Activities.
The procurement activities of Chemolimpex have undergone a radical change in the sense that the requirements of heavy industry have been abandoned in favor of the light and consumer goods industries. At the Budapest conference the Chemolimpex representatives were given the following explanation for this change:
 - a. As a result of the top priority given to the requirements of heavy industry during recent years, there has been a shortage of certain consumer goods which has had a detrimental effect on the morale of large sections of the population.
 - b. Today heavy industry has fulfilled its program to a point where its requirements may be "neglected" in favor of consumer goods. The government has accordingly decided to cut out future orders for heavy industry requirements, and even to cancel current orders where possible.
4. In view of these considerations the Chemolimpex representatives were instructed to negotiate with suppliers under current contracts either:

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25 YEAR RE-REVIEW

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- a. cancellation of the contracts, or
- b. substitution in these contracts for heavy industry requirements of the following goods:
 - 1) Ester oils for the soap, cosmetics, and similar industries; ¹
 - 2) medicaments required by the general public;
 - 3) chemicals required for the manufacture of washing and polishing materials and other household goods;
 - 4) dyes, etc. for the textile industry.

5. Selling Activities.

The radical change in the selling activities of Chemolimpex comprises the release for sale in the West of a number of materials for the heavy industry, the export of which has hitherto been strictly banned.

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6.

- 7. The Chemolimpex representatives have been instructed to keep secret this decision to sell formerly banned exports to the West. If and when a deal materializes, the Hungarian origin of the goods must, whenever possible, be concealed.
- 8. The Relegation of Heavy Industry.
It would be false to speak of any abandonment of heavy industry. Present heavy industrial concerns will be maintained. However, the decision has been taken to suspend for the time being all further capital investment in heavy industry.
- 9. The main reason for the relegation of heavy industry in favor of the light and consumer goods industries is the insuperable problems which have been confronting the former as the result of bottlenecks in essential raw materials. Thus, the aluminum industry suffers from shortages of Sljöderberg electrodes and "Anode-Masse". These are in no sense offset by the synthetic creolite which Hungary can import in any desired amount from East Germany. The only possible solution to the present crisis is to try to sell surplus alumina and to use the proceeds for procuring the bottleneck materials.

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10. The fall of Minister Vas was due primarily to his mistaken policy forcing capital investment in heavy industry on the understanding that within 2-3 years such profits would be gained from it that consumer goods could be bought cheaply abroad. In the aluminum industry Vas planned an excessive alumina production. There are 3 large factories producing it today. One example of vast and unjustifiable capital investment in heavy industry is the joint Hungarian-Rumanian combine for the refining of East Hungarian (sic) bauxite and the production of the sodium hydroxide required for this refining. In connection with this project an underground natural gas pipe was laid between Sarvas in Rumania and the Nyir region in Hungary.
11. Sugar Requirements.
Prior to the Budapest conference, one of the Chemolimpex representatives had received instructions to buy sugar in the West against Hungarian chemical exports. During recent months he has bought 3,000 tons. At the conference he was told that it was no longer necessary to buy sugar as there were now sufficient reserves to cover the period until the sugar beet harvest is collected. Last year's sugar beet harvest, it was explained, had been only 50% of the average as a result of "bad weather, etc."
12. Similar changes of policy have been formulated for Technoimpex and the other Hungarian foreign trading undertakings.

Comments:

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1. Some idea of the significance of these new instructions may be gathered from the fact that until recently Hungary has been buying ester oils, camphor derivatives, etc. in China for resale to the West. Now the Chemolimpex representatives are instructed to buy these oils in the West for the Hungarian home market.

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